

DISCLAIMER

This electronic version of an SCC order is for informational purposes only and is not an official document of the Commission. An official copy may be obtained from the [Clerk of the Commission, Document Control Center](#).

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 19, 2001

APPLICATION OF

SOUTHSIDE ELECTRIC COOPERATIVE, INC. CASE NO. PUE000750

For a general rate increase
and for approval of a special
rate and contract

FINAL ORDER

On December 29, 2000, Southside Electric Cooperative ("Southside" or "the Cooperative") filed with the State Corporation Commission ("Commission") an application for a general increase in electric rates and amendments to the Cooperative's terms and conditions, and for approval of a special rate for ArborTech, Inc. ("ArborTech") pursuant to Va. Code § 56-235.2. ArborTech is a manufacturer of wood products and is constructing a facility in the "excessed" area of Fort Pickett in Nottoway County.

Pursuant to Va. Code § 56-582 A 3 of the Virginia Electric Utility Restructuring Act, Chapter 23 ("Restructuring Act" or "the Act"), Southside's proposed rates in its general rate application took effect January 1, 2001, on an interim basis and subject to refund. According to the Cooperative, its proposed rates and charges would produce additional annual revenues of

\$6,001,654. These additional annual revenues represent an increase of 10.77% in jurisdictional revenues.

On March 19, 2001, the Commission issued its Order for Notice and Hearing that directed Southside to publish notice of its application, established a procedural schedule for the Company, Staff, Protestants, and public witnesses, and set the matter for hearing on July 11, 2001, before a Hearing Examiner.

On April 25, 2001, Colonial Pipeline Company ("Colonial Pipeline") filed a notice of protest.

On April 27, 2001, Southside filed a motion to reschedule the hearing to July 12, 2001. On April 30, 2001, Staff filed a Motion for Extension to File Testimony in which it requested that the time for filing its testimony be extended from May 15, 2001, to May 25, 2001, and the date for Southside to file its rebuttal testimony be extended from June 25, 2001, to July 2, 2001. On May 1, 2001, the Hearing Examiner issued a ruling granting the motions filed by Southside and the Staff. The hearing scheduled on July 11, 2001, was retained for the purpose of receiving comments from any public witnesses.

On June 25, 2001, William C. Rolfe, County Administrator for Bedford County, filed a letter on behalf of the Bedford County Board of Supervisors requesting a hearing located within the service area of Southside. The letter was the result of a resolution unanimously adopted by the Bedford County Board of

Supervisors directing the County Administrator to seek a public hearing in this matter. In a Hearing Examiner's Ruling dated June 22, 2001, hearings for taking comments from public witnesses were scheduled for July 25, 2001, at 2:00 p.m. and 7:00 p.m. in the Board of Supervisors Meeting Room, Bedford County Administration Building.

Alexander F. Skirpan, Jr., Hearing Examiner, convened a public hearing on the application on July 11, 2001. Counsel appearing were C. Meade Browder, Jr., Esquire, counsel for the Commission Staff and John M. Boswell, Esquire, counsel for Southside. No public witnesses appeared at this hearing. Counsel for the Commission Staff and for Southside moved for a continuance of the evidentiary hearing to permit the parties more time to negotiate a possible stipulation. The Examiner granted the continuance and, in a ruling dated July 27, 2001, reset the evidentiary hearing for July 31, 2001.

On July 25, 2001, hearings were convened at 2:00 p.m. and 7:00 p.m. in the Board of Supervisors Meeting Room, Bedford County Administrative Building, for the receiving of comments from public witnesses. Two public witnesses appeared during the afternoon hearing. No witnesses appeared during the evening hearing.

The evidentiary hearing resumed at the Commission on July 31, 2001, before Hearing Examiner Skirpan. Mr. Boswell

appeared for the Cooperative and Mr. Browder appeared for the Staff. Guy T. Tripp, III, Esquire, appeared for Protestant Colonial Pipeline. No public witnesses appeared at this hearing. At the July 31, 2001 hearing, Southside, Staff, and Colonial Pipeline submitted a stipulation designed to resolve all of the issues in this case.¹ Based on the stipulation, all prefiled testimony was made a part of the record and not subjected to cross-examination.

For purposes of settling the general rate application, the Cooperative and Staff agreed upon an additional annual revenue requirement of \$3,981,325 and a total revenue requirement of \$57,729,398, based on a TIER of 2.5.² Pursuant to the stipulation, the percentage increase for each customer class would be as follows:

Residential	9.27%
General Service-Single Phase	7.36%
General Service-Multi Phase	0.01%
Industrial (1)	1.98%
Industrial (2)	0.79%
Security Lights	0.00%
Special Contracts	-40.82%
System Totals (Jurisdictional)	7.24%

The stipulation also provided for a special rate for ArborTech.

¹ Exhibit Staff-15

² Exhibit Staff-15, at para. 4.

On August 23, 2001, the Hearing Examiner filed his Report in this matter. In his Report, the Hearing Examiner summarized the record, and made the following findings:

- (1) The use of a test year ending December 31, 1999, and the Staff's discounting methodology of the years 2001 through 2007 is proper and complies with the requirements of the Restructuring Act;
- (2) The Cooperative's rate period operating revenues, after all adjustments, were \$53,748,073;
- (3) The Cooperative's rate period operating expenses, after all adjustments, were \$46,033,396;
- (4) The Cooperative's rate period operating margins, after all adjustments, was \$7,696,909;
- (5) The Cooperative's rate period total margin, after all adjustments, was \$3,677,101;
- (6) The Cooperative's current rates produced a TIER on adjusted rate base of 1.72;
- (7) The Cooperative's actual TIER should be 2.5;
- (8) The Cooperative's adjusted rate period long-term interest expense is \$5,092,815;
- (9) The Cooperative's application requesting an annual increase in revenues of \$6,001,654 is unjust and unreasonable because it will generate a TIER greater than 2.5;

- (10) The Cooperative requires \$3,981,325 in additional gross annual revenues to earn a TIER of 2.5;
- (11) The revenue allocation methodology set forth in the stipulation is just and reasonable;
- (12) The Cooperative should file permanent rates designed to produce the additional revenues found reasonable using the revenue apportionment and rate design methodologies contained in the stipulation;
- (13) The Cooperative should be required to refund, with interest, all revenues collected under its interim rates in excess of the amounts found just and reasonable herein;
- (14) The Cooperative should implement the changes to its terms and conditions as provided for in the stipulation;
- (15) The Cooperative should institute the agreed upon special rate for ArborTech as stated on Revised Exhibit B, Statement 4, page 3 of the stipulation;
- (16) The Cooperative should not be permitted to implement its proposed TIER Credit Billing Factor; and
- (17) The Cooperative's functional separation plan application, Case No. PUE000749 should be continued generally pending entry of a Final Order in this case.

The Hearing Examiner recommended that the Commission enter an order that adopts the findings contained in his Report; approves an increase in gross annual revenues for the Cooperative of \$3,981,325; directs Southside to promptly refund all amounts collected under interim rates in excess of the rate increase found just and reasonable; and dismisses the case from the Commission's docket of active proceedings.

On September 5, 2001, Southside filed a Motion to Revise Interim Rates and to Make Refunds. On October 16, 2001, the Commission entered an order granting the Company's Motion and authorizing such refunds.

On November 9, 2001, Southside filed with the Commission documents detailing refunds made to its customers as required by the Commission's October 16, 2001 order. Interest was calculated using the standard methodology. Refunds were made by direct check payment to the customers.

NOW, UPON consideration of the record herein, the Hearing Examiner's Report, as well as the applicable statutes and Guidelines, the Commission is of the opinion and finds that the analysis, findings, and recommendations of the August 23, 2001, Hearing Examiner's Report are reasonable, are supported by the record, and should be adopted.

Moreover, we find that no other customer or class of customers would be unreasonably prejudiced or disadvantaged by

the approval of the ArborTech special rate and contract. The evidence in the record demonstrates first that the special rate will cover the operation and maintenance costs for service to ArborTech, and provides a contribution to Southside's overall cost of service that might not otherwise have been made.

ArborTech's contribution to the cost of service offsets costs that would otherwise be recovered from the Company's other customers.

Accordingly, IT IS ORDERED THAT:

(1) The findings and recommendations set out in the August 23, 2001, Hearing Examiner's Report are hereby adopted.

(2) The Cooperative shall be granted an increase in gross annual revenues of \$3,981,325, effective for service rendered on and after January 1, 2001.

(3) Southside shall forthwith file with the Division of Energy Regulation revised permanent schedule of rates, fees and charges, together with its revised terms and conditions of service, designed to produce the additional revenues found reasonable herein, effective for service rendered on and after January 1, 2001.

(4) Southside's application for a general rate increase and for approval of a special rate and contract for ArborTech, Inc., is granted.

(5) Southside shall seek further Commission approval if the agreement between Southside and ArborTech is amended.

(6) There being nothing further to be done herein, this matter shall be dismissed from the Commission's docket of active proceedings, and the papers filed herein shall be placed in the Commission's file for ended causes.